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Executives:
James Corby - Chief Financial Officer
Yaman Al-Jundi - Head of Investor Relations

Operator: Hello, and welcome to Meeza QSTP First Quarter 2026 Earnings Conference Call. Please note that this call is being recorded. You will have the opportunity to ask questions to our speakers later on during the Q&A session. If you'd like to ask a question by that time, please press star on your telephone keypad. Thank you.

I'd like to hand over the call to the moderator, Phibion.

Phibion Makuwerere: Thank you. I'd like to welcome everybody to today's call for Meeza's First Quarter 2026 Earnings Conference Call.

On the call today from Meeza's management team. We have James Corby, the Chief Financial Officer, and Yaman Al Jundi, the Investor Relations Director. And as usual, they will first give us an overview of what transpired in Q1, and we will have a Q&A session immediately afterwards.

I turn over the call to Yaman to begin. Over to you, sir.

Yaman Al Jundi: Thank you, Phibion, and thank you, everyone, for joining. Quick couple of items before we begin. The investor presentation is also available on the Investor Relations section of the Meeza website, meeza.net. And I want to point your attention to the disclaimer on slide two, which is part of this presentation and an important part regarding any information provided and any forward-looking statements made.

I'll hand over to our CFO, Mr. James Corby.

James Corby: Great. Thanks, Yaman. Good afternoon, everyone. I'm James Corby, the Meeza CFO. I'll give you a brief overview now of the Q1 highlights and an overview of the financial results for Q1 2026.

So firstly, looking at the highlights, our data center expansion continues to be our growth driver. With MV4 expansion, construction has been completed, and testing and commissioning is ongoing, with the RFS expected to be in July. MV6 site foundation has commenced. MV7 is at Stage 4 design, and the power has been secured. And MV8 site foundation are in progress.

Financially, the highlights are that revenue has grown 22% year-on-year, with QR 104.7 million of revenue, with EBITDA growing at 2%. And net profit attributable to Meeza increased by 5.1% to QR 13.8 million for Q1.

Operationally, we have acknowledged and reacted to the heightened regional geopolitical tensions. Our business continuity program was activated with a hybrid work model, team segregation, and the logistics and fuel security measures put in place. Risk monitoring continues, but to date, there's been no material disruption to operations or project delivery. Our net pipeline stands at QR 1.2 billion, and we've expanded our OT services portfolio, enabling cross-sell opportunities from the acquisition synergies.

Looking at our data center portfolio and comparing this to the previous analyst calls, there's been no change, and we continue with our DC expansion, aiming to reach over 60 MW by 2029.

Okay, so moving to the financial results and starting with Q1 FY 2026, the consolidated position versus last year. It's important to note that Q1 is typically a slow quarter and that has been further impacted by the timing of Ramadan and the conflict. Total revenue grew 22% with strong performance in the key recurring segments, boosted by the full quarter of consolidating Black Arrow's results. Net profit attributable to Meeza grew 5.1% to QR 13.1 million.

If we now move to the next slide, slide eight, this is Meeza's standalone results for Q1. Revenues increased by 2.8% year-on-year, driven by higher data center and managed services revenue. Net profit increased QR 200,000 to QR 13.2 million, aided by revenue growth and OpEx control.

Slide nine is the quarter-on-quarter performance. Revenue decreased quarter-on-quarter due to seasonality, the impact of Ramadan, and the conflict in Q1. As a result, EBITDA and net profit decreased by 34% and 43%, respectively. Gross margins, so absolute gross profit increased by QR 4.3 million, or 16%, with relatively stable gross margins. The DC margin reduces from 39.6% to 35.8%, primarily due to lower margin fit-out work done for hyperscalers in the quarter. And solutions margin is also lower, 8.1% from 10%, due to the mix of deals that we had and competition.

Very quickly on the margins, obviously, the margins have been impacted by the new subsidiary, with Meeza's standalone margins remaining relatively flat. As you would expect, CapEx has been ramping up due to the data center builds. Q1 FY 2026 CapEx includes MV4 phase 2, MV6, MV7, and MV8 work in progress. Return on capital employed reduces to an increase in the Murabaha financing for the DC expansion. We expect this to increase once new DCs are operational and generate revenues.

And moving to the cash. So cash for the quarter declined due to vendor payments and an increase in receivables. Meeza has a net debt position of QR 70 million with QR 232 million cash on hand and QR 302 million in total debt. The company distributed QR 55 million in dividends during Q1. Our net debt-to-EBITDA ratio stands at 0.6.

That concludes our presentations, and we'll now go into questions.

Operator: Thank you. We are now opening the floor for a question-and-answer session. If you'd like to ask a question, please press star, then one on your telephone keypad. Thank you. There are no questions over the phone at this time.

For web questions, I'll be passing the call over to you, Phibion.

Phibion Makuwerere: Okay, thank you. I think there's one question in the chat. I'll read it out for the management. The question is from Mohammed Sayeed, Frank Templeton. He asks, "What led to margin decline in data center and other segments, and how much was data center utilization during the quarter?"

James Corby: Yes, thanks, Phibion. So I did allude to on the call that the margin had dropped because we had some fit-out work done for one of our hyperscalers. So that's at a lower margin than the standard DC services, that's brought the overall DC margin down a little bit. Obviously, as well, one has to consider that as the utilization of the hyperscalers ramps up, the electricity charge, which is passed through, increases and because of that, coming in at revenue and cost of sales, that actually will dilute the data center margin. But overall, the main reason in Q1 is because of this fit-out work that was done. From a utilization perspective, I think we're about 97%.

Phibion Makuwerere: Okay, I think there are a few more questions that are coming through the chat. So the next one comes from Fatima, SICO. She asks, "Are you facing any inflationary pressures with sourcing material for the data center?"

James Corby: At the moment, no, we're not. I mean, obviously, I think there's been a slight slowdown in the supply chain given the conflict, but we've seen no price escalation.

Phibion Makuwerere: Okay, thank you. The next question is from Aashish Agarwal from The First Investor. "Are you expecting any delays from payments from your customers, which has resulted in an increase in trade receivables?"

James Corby: It's a good question. I think that, obviously, given the situation and the conflict that in Q1, there has been a slowdown in payments from customers. That said, we expect that to pick up in the coming quarters.

Phibion Makuwerere: Okay, another question from Phani Kanumuri, HSBC. I think they basically want guidance for EBITDA for Black Arrow, specifically for the rest of the year.

James Corby: We're not in a position to give guidance at this stage. What we expect is Black Arrow's results, from a revenue perspective, to go over QR 100 million. In terms of the margin portfolio, I think you need to look at other solution companies within that space to get a view, but from a net profit perspective, it's going to be relatively similar to [indiscernible].

Phibion Makuwerere: Okay. Another question is, I think it's similar to this; they are asking for profit guidance, but let me read it together with this other one. “Could you please break up the impact that came due to Ramadan and the conflict?”

James Corby: It's difficult to break it up, but I think primarily. I mean, if you look at our recurring revenue, our recurring revenue when you're adding in Black Arrows increased, I think, in excess of 25% year-on-year. So the recurring revenue continues to grow. What the issue with Ramadan and obviously the conflict is a slowdown in solutions. You're one part of revenue, that's me, the solutions revenue, as well as Black Arrows. Obviously, as you're probably aware, during the first few weeks of the conflict, everyone was at home or essentially taking shelter, and therefore sites were closed, so work couldn't be completed. Various customers closed their sites because of the war. To quantify it, I would say anywhere between QR 5 million and QR 10 million solutions revenue top line impacted because of that.

Phibion Makuwerere: Thank you, James. There are a couple of questions. I think I'll just summarize them both, basically asking the same thing. So there are questions around insurance, whether you are having challenges insuring your data centers now, given what's happening in the region. And also, how are the discussions with your customers in the current sort of environment? And also, they just want to understand what's your CapEx guidance and also how will it be financed up to 2029?

James Corby: Okay. That's a big question, the last one. Okay, the insurance question. So typically, insurance and the insurance that we have doesn't include provisions for war. So we have looked at the market in relation to products that cover for damage during the war or during a conflict, and it is available. Yes, it is quite expensive, but it is still available to us, and we are in communication with our brokers in relation to that, and a decision that has yet to be made in terms of taking out additional cover.

In terms of the overall, sorry, Phibion, what was the question around customers?

Phibion Makuwerere: Sorry, the other questions.

James Corby: Yes, I see it. I see it, Phibion. I mean, the customer interactions have continued as you would expect. Our rollout continues as planned. There's been no change in those conversations. I think from a data center perspective, customers are obviously looking at resiliency and disaster recovery options, which our commercial team are actively looking at, and the technology team as well, to ensure that we're able to provide additional services when the customers want further VR and resiliency.

In terms of the CapEx guidance, I think if you want to send Yaman an e-mail separately, we can certainly look at that. I think guidance over the next three to four years, as we said in the slide, our CapEx will be close to QR 2 billion. The breakup of that we can potentially look at giving that separately. And in terms of the financing of that, we're typically looking at a 90% debt, 10% equity split.

Phibion Makuwerere: Okay, thanks, James. There are also a few more other questions. I'll just lump them or summarize them together. So there's questions around, again, margin guidance, whether it will be in line with 2025 for data centers. And also, when MV4, I think, I suppose this person is referring to the expansion, when that starts to reflect in the financials? And again, I think this you have responded to it in some form, whether you are struggling to get things through for the data centers, given that the Strait is closed.

James Corby: Okay, so margin guidance. We've always talked about a margin of around 35% gross margin for data and services, including depreciation, and we expect that to continue this year. In terms of margin guidance on the other segments, managed services, as you can see, is coming under increased price pressure and competition. So there will be a small decline there, but not material. And solutions is really dependent on the type of deal and infrastructure that you are providing. So, it's hard to give silence on that, to be honest. But we always aim for around a 10% margin on solutions.

And there was a question on the equipment on the Strait for me. So obviously, I think the whole region has changed their supply chain routes. I think Jeddah is being used as a port, and then items are being transported via trucks from there into Saudi and Qatar, and the like. So at the moment, we've seen no issues there. All of our long lead items for the data centers that we're building at the moment are still on track, and there's no concern. MV4, I think I talked about that in the actual presentation, but we expect that to come online in July.

Phibion Makuwerere: Thanks, James. I think there are a few more questions. I think there's a follow-up question on the CapEx. So here, the person mentions that there's a figure of QR 2 billion, is the price tag on your CapEx. And they want to know whether this accounts for projects currently under construction, MV4 up to MV8.

James Corby: Yes, it does.

Phibion Makuwerere: Okay, thank you. And again, this, maybe, people wanting more clarity around the issue of demand, given the conflict. So they just want to understand whether you see any risks coming up as a result of what has happened, whether hyperscalers are thinking twice before they commit.

James Corby: I'm not probably placed to answer these questions in relation to the conflict. I think, looking at the questions in relation to have negotiations have gone with hyperscalers and has demand being impacted by the conflict? I think I answered that earlier; the process of contract finalization and building for hyperscalers has not changed as a result of the conflict.

Phibion Makuwerere: That's all we have on the chat. I don't know if you still got any questions on the line before we close.

Operator: We have one question from the phone. His name is Wei Chow with AlRayan Investment. Your line is open.

Wei Chow: Hi, good afternoon, guys. Sorry, my question has been answered. Thank you.

Phibion Makuwerere: Okay, great. I don't know, James, if you just want to give any concluding remarks before we close the call.

James Corby: Thanks, Phibion. Thanks, everyone, for attending. Obviously, troubling times, but hopefully, we're seeing some positive news coming out. As I said, things continue as planned in Meeza, and as you can see, the results in Q1 are pretty good. If you have any specific questions that we haven't answered in the call, then please send Yaman and I an email separately, and we look forward to seeing you all in person soon.

Phibion Makuwerere: Thank you, James, and thanks to everybody for joining us and for your questions. And as James has highlighted, if you feel like your question wasn't addressed, feel free either to reach out to QNBFS or relay your questions to Meeza or to reach Meeza directly. Thank you, and enjoy the rest of your day.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining in. You may now disconnect.